Congress of the United States
House of Representatives
COMMITTEE ON WAYS AND MEANS
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August 30, 2001

The Honorable Thomas Scully
Administrator
Centers for Medicare and Medicaid Services
Hubert Humphrey Building, Room 314-G
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Mr. Scully:

We are writing to underscore our commitment to revitalizing the Medicare+Choice program and to outline the changes we plan to undertake to ensure that more seniors have these important options available to them.

Over the past several years more than one million seniors have been affected by plan withdrawals or retrenchments. In addition, millions more have seen important benefits such as prescription drug coverage and disease management scaled back and eliminated or their supplementary premiums increased. We want to work with you to encourage existing Medicare+Choice plans to remain in the program and to entice other plans to join the program.

Last year Congress enacted the Beneficiary Improvement and Protection Act, which made modest changes to the Medicare+Choice program. But more fundamental reform is necessary.

First, we believe the current administered pricing structure has been an abysmal failure. As such, we plan to move legislation this Fall which will immediately move Medicare+Choice to a level playing field with the Fee-For-Service plan. Then in 2004, we would move to a competitive system, in which plans would be paid what they bid. Beneficiaries enrolled in plans that bid below the benchmark would be allowed to keep much of the savings. Beneficiaries would thereby be encouraged to enroll in more efficient plans, but could choose more expensive plans for additional benefits.

Second, we will explicitly pay Medicare+Choice plans to provide a prescription drug benefit. Currently, Medicare+Choice plans provide prescription drugs only through their efficiencies in comparison to the Fee-For-Service plan. It is not at all surprising that

plans have dropped or scaled back prescription drug coverage as health costs and drug costs, in particular, have greatly outpaced the 2 percent annual update in most areas.

Third, we agree with your assessment that the current risk adjuster has been completely inadequate. It does not accurately predict health costs of beneficiaries and has had the effect of arbitrarily penalizing Medicare+Choice plans. We want to work with you to develop a more accurate risk adjustment tool.

As you know, this Spring we requested that you move the adjusted community rate (ACR) filing date from July 1 to the third week of September in order to give plans one more quarter of data and to allow more time for Congress to enact legislative changes. We appreciate your response to this request and want to continue to work with you to ensure that beneficiaries receive adequate information about their options in a timely manner. We intend to make this change permanent in legislation.

Additionally, consistent with the Federal Employee Health Benefits Plan statute, we will include language to clarify that the federal Medicare+Choice law preempts *all* state laws except state licensing laws relating to plan solvency. Finally, we will streamline the Quality Improvement Standards for Managed Care (QUISMC) on Medicare+Choice plans, by requiring only two improvement projects at a time.

We look forward to working with you on these matters and want to send a clear signal on Congress's intention to act forcefully in this area.

Best Regards,

Bill Thomas
Chairman, Ways and Means Committee

Nancy Johnson
Chairwoman, Ways and Means
Subcommittee on Health